



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 26, 2017

Limited Internal Control and Compliance Review Management Report

Allen Godfrey, MGC, Executive Director
Mississippi Gaming Commission
620 North Street, Suite 200
Jackson, Mississippi 39202

Dear Mr. Godfrey:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Gaming Commission for the Fiscal Year 2016. In these findings, the Auditor's Office recommends the Mississippi Gaming Commission:

1. Strengthen controls over compensated absences;
2. Ensure compliance with state laws over procurement card purchases; and,
3. Ensure compliance with state purchasing laws.

Please review the recommendations and submit a plan to implement them by May 10, 2017. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Gaming Commission to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Gaming Commission throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Gaming Commission for the year ended June 30, 2016. The Office of the State Auditor's staff members participating in this engagement included Kevin Cribbs, Justin Reulet and Derrick Garner CPA.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

In performing our review, we noted a certain matter involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCY** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

OTHER CONTROL DEFICIENCY

Finding	<u>Controls Over Compensated Absences Should Be Strengthened</u>
Criteria	Good internal controls dictate prompt review of leave balances in the Statewide Payroll and Human Resources System (SPAHRs) to ensure that personal leave is entered correctly into the system. In addition, Section 25-3-97, Miss. Code Ann. (1972), requires all organizations keep accurate records of the leave accumulated and used by the officers and employees. Furthermore, MAAPP Manual section 15.10.20 requires the agency's payroll officer to certify final on-line date to be correct.
Condition	During review of compensated absences at the Mississippi Gaming Commission, we noted one instance in which an employee's personal leave, which was properly documented and approved by a supervisor, was not subsequently entered into SPAHRs. Failure to enter leave balances into SPAHRs misstates the agency's liability for accrued compensated absences in the Mississippi Accountability System for Government Information and Collaboration (MAGIC).
Recommendation	We recommend the Mississippi Gaming Commission strengthen controls over the leave approval and entry process to ensure leave taken is properly recorded in SPAHRs.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Finding	<u>Agency Should Compliance with State Laws Over Procurement Card Purchases</u>
Criteria	Miss. Code Section 27-65-105 exempts the State of Mississippi from taxes levied under this section when property, labor, services or products are sold to and billed directly to (with payment made directly by) the State. In addition, good internal

controls dictate prompt review of procurement card receipts to ensure sales tax is not applied to purchases.

Condition During our review performed on 15 procurement card purchases at the Mississippi Gaming Commission, we noted that there were four instances in which sales tax was paid on products sold directly to the state and purchased with a procurement card, noting \$89.95 on invoices totaling \$ 1,471.20

Recommendation We recommend the Mississippi Gaming Commission ensure compliance with state laws over procurement card purchases. Procurement card purchases should be reviewed to ensure that sales taxes are not levied each time a purchase is made.

Finding: Agency Should Comply with State Purchasing Laws

Criteria Section 31-7-303, Miss. Code Ann. (1972) requires payments to be made within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods or services. Section 7-7-23, Miss. Code Ann. (1972) requires purchase orders to be issued for goods and services paid from funds in the state treasury on the same day the orders are issued.

Condition: During our review of 20 contractual service items at the Mississippi Gaming Commission, we noted the following:

- Three instances in which purchase orders were dated subsequent to the date goods and services were received; and,
- Three instances in which payment was not made within 30 days of receipt of invoice and goods or services.

Failure to submit payments within 30 days of the receipt of the invoice and receipt, inspection, and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges. Failure to create and approve a purchase order prior to the date the goods and services are received impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary controls over the agency's expenditures.

Recommendation We recommend the Mississippi Gaming Commission ensure compliance with state purchasing laws. Purchase orders should be issued and approved prior to the receipt of goods and services and payments are should be made timely.

End of Report